

Before the
TRADE POLICY STAFF COMMITTEE
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
Washington, D.C.

Public Comments on Potential Action Under
Section 203 of the Trade Act of 1974
With Regard to Imports of Certain Steel

NSK CORPORATION
REQUEST TO EXCLUDE BALL BEARING STEEL
FROM IMPORT RELIEF UNDER SECTION 203

November 13, 2001

Submitted by:

Robert A. Lipstein
Matthew P. Jaffe
Grace W. Lawson
Joseph A. Konizeski
Lipstein, Jaffe & Lawson L.L.P.

1900 M Street, N.W.
Suite 700
Washington, D.C. 20036

Tel: 202-296-6655
Fax: 202-296-0848

direct sender's email:
mjaffe@ljllaw.com

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EXECUTIVE SUMMARY

The Trade Policy Staff Committee should exclude ball bearing steel – HTS 7227.90.10.30, 7227.90.20.30, 7228.30.20.00, 7228.50.10.10, and 7228.60.10.30 – from any remedy recommendation to the President about action under section 203 of the Trade Act of 1974 with respect to imports of certain steel. Ball bearings are a critical component of the U.S. industrial base. There is, however, no U.S. production of the ball bearing steels for which NSK Corp. requests exclusion. NSK Corp. also cannot substitute non-ball bearing steel for most of the ball bearings it manufactures. NSK Corp. thus has no choice but to import ball bearing steel. Meanwhile, the Harmonized Tariff Schedule distinguishes ball bearing steel from other steels. The TSPC thus can draw a bright line between an exclusion of ball bearing steel and the remedy it recommends for certain steel imports. Therefore, given there is no serious injury or threat of serious injury to a domestic steel industry from the importation of ball bearing steel, and given an exclusion for ball bearing steel would be easy to administer, the TPSC should exclude ball bearing steel from its remedy recommendation to the President.

NSK CORPORATION

REQUEST TO EXCLUDE BALL BEARING STEEL
FROM IMPORT RELIEF UNDER SECTION 203

November 13, 2001

Via E-Mail

Ms. Carmen Suro-Bredie
Chair
Trade Policy Staff Committee
Office of the U.S. Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

Dear Ms. Suro-Bredie:

NSK Corporation, Ann Arbor, Michigan, is the largest producer (by quantity) of ball bearings in the United States. NSK Corp.'s manufacturing plants are located in Ann Arbor, Michigan; Clarinda, Iowa; Franklin, Indiana; and Liberty, Indiana. NSK-AKS Precision Ball Manufacturing Company, a sister company of NSK Corp., operates a ball manufacturing plant in Clarinda, Iowa. On behalf of NSK Corp., a U.S. purchaser of ball bearing steel products, we hereby request that the Trade Policy Staff Committee exclude ball bearing steel from its recommendation to the President about what action the President should take under section 203 of the Trade Act of 1974.¹

¹ The request for exclusion of ball bearing steel is supported by evidence submitted by NSK Corp. during the U.S. International Trade Commission's steel safeguard investigation. NSK Corp. understands the record of that investigation will be made available to the Trade Policy Staff Committee for its deliberations. Therefore, rather than add attachments to this request, we hereby provide citations to evidentiary submissions made by NSK Corp. during the Commission's investigation:

1. Affidavit of Ross Rivard, Director of Corporate Planning and Business Development, NSK Corp., Attachment 1 to Japanese Respondents' Prehearing Injury Brief for Specialized Hot-Rolled Bar & Light Shapes Products, filed by Willkie Farr & Gallagher, 200109100053 (confid)/200109120017 (public) (USITC Inv. No. TA-201-73 (final), September 10, 2001).
2. Witness Statement of Ross Rivard, Director of Corporate Planning and Business Development, NSK Corp., to the U.S. ITC, 200109240001 (public) (USITC Inv. No. TA-201-73 (final), September 24, 2001).
3. Affidavit of Ross Rivard, Director of Corporate Planning and Business Development, NSK Corp., Attachment 3 to Japanese Respondents' Prehearing Remedy Brief, Exclusion Requests (Bar & Light Shapes), filed by Willkie Farr & Gallagher, 200110290110 (confid)/200110300107 (public) (USITC Inv. No. TA-201-73 (remedy), October 30, 2001).

A. Designation of the Product – Ball Bearing Steel

The standard U.S. specification for ball bearing steel is ASTM A295, or 52100 steel. The closest Japan specification to the U.S. standard is SUJ2 steel. Because of the unique characteristics of this steel, the Harmonized Tariff Schedule, Additional U.S. Notes to Chapter 72, Iron and Steel, distinguishes ball bearing steel from other steels. For this reason, the tariff classifications that cover the ball bearing steel for which NSK Corp. requests an exclusion – HTS 7227.90.10.30, 7227.90.20.30, 7228.30.20.00, 7228.50.10.10, and 7228.60.10.30 – describe each article as “Of ball bearing steel.”

B. Description of Product Based on Physical Characteristics

The description for ball bearing steel set forth below is a direct quote from the HTS, Additional U.S. Note 1(h) to Chapter 72, Iron and Steel:

Alloy tool steels which contain, in addition to iron, each of the following elements by weight in the amount specified:

- (i) not less than 0.95 nor more than 1.13 percent of carbon;
- (ii) not less than 0.22 nor more than 0.48 percent of manganese;
- (iii) none, or not more than 0.03 percent of sulfur;
- (iv) none, or not more than 0.03 percent of phosphorus;
- (v) not less than 0.18 nor more than 0.37 percent of silicon;
- (vi) not less than 1.25 nor more than 1.65 percent of chromium;
- (vii) none, or not more than 0.28 percent of nickel;
- (viii) none, or not more than 0.38 percent of copper; and
- (ix) none, or not more than 0.09 percent of molybdenum.

C. Basis for Requesting an Exclusion

NSK Corp. requests that the TPSC exclude ball bearing steel, specifically products covered by HTS 7227.90.10.30, 7227.90.20.30, 7228.30.20.00, 7228.50.10.10, and 7228.60.10.30, from any remedy recommendation it makes to the President for the following reasons:

NSK Corp. has worked closely over many years with U.S. steel producers in an attempt to approve a domestic source for ball bearing steel. As of the date of this submission, NSK Corp. has been unable to approve, or otherwise identify, a U.S. source for the production of the ball bearing steel covered by this exclusion request that meets its specifications. NSK Corp. understands that The Timken Company has proven capability to produce an early-stage ball bearing steel product – ball bearing steel ingot cast billets – in commercial quantities, but Timken does not have the capability to process these billets, either directly or indirectly through third parties, into the hot-rolled bar, cold-finished bar, or wire rod that NSK Corp. requires.²

² NSK Corp. has identified two other companies – MACSTEEL and RTI – as possibly having the capability to manufacture ball bearing steel ingot cast billets. To the best of NSK Corp.’s knowledge, however, neither of these companies has the ability to manufacture these billets in commercial quantities or to specifications required by

The fact that U.S. production of these ball bearing steel products does not exist has been confirmed by evidence submitted to the U.S. International Trade Commission during its steel safeguard investigation.

- Timken acknowledged in public submissions that it does not have the equipment necessary to manufacture all sizes and shapes of steel and must enter arrangements with third parties to make the final product.³ The problem is, the third-party producers on which Timken must rely cannot produce the products NSK Corp. requires.
- NN Inc. stated it solicited Timken for material several times over the past 10 years. According to NN, in 1995, Timken supplied the ingot cast billets to AS&W for processing the rod NN needed. By late 1996, the quality problem got so bad that NN stopped buying the material. NN tried again in April 2000 when it learned that Timken had moved its third party processing to Charter Steel. A year later, Timken and Charter have still not offered to meet NN's specifications.⁴
- The Torrington Company similarly stated it must use certain imported specialty alloy steel bar and rod products in its bearing production. According to Torrington, it has been forced to do so because no domestic steel producer has an integrated mill that can perform the continuous processes necessary to manufacture these specific products "in the highest efficiency and reliability from a quality and cost standpoint."⁵

NSK Corp. Also, neither of these companies has publicly objected to the exclusion of ball bearing steel from any remedy recommendation.

³ Post-Hearing Brief: Carbon and Alloy Long Products, The Timken Company, filed by Stewart and Stewart, 5-6 and Exhibit 1, at 2, para. 8 (USITC Inv. No. TA-201-73 (final), October 3, 2001). Also, as Timken is primarily an antifriction bearing producer, most of the steel it manufactures constitutes captive production. Timken 10K Filing (March 30, 2001) ("A significant portion of Timken's steel production is consumed in its bearing operations").

⁴ Letter of David Butler, Materials Manager, NN, Inc., Ball & Roller Division (October 27, 2001), Attachment 2, Japanese Respondents' Prehearing Remedy Brief, Exclusion Requests (Bar & Light Shapes), filed by Willkie Farr & Gallagher, 200110290110 (confid)/200110300107 (public) (USITC Inv. No. TA-201-73 (remedy), October 30, 2001).

⁵ Torrington specifically requested the exclusion of grade 52100 bearing quality hot rolled rod, falling within HTS 7227.90.20.30, and grade 52100 bearing quality hot rolled bar (with diameter under 1 7/8th inches), falling within HTS 7228.30.20.00. Letter of Thomas J. Williams, Assistant General Counsel, The Torrington Company (USITC Inv. No. TA-201-73, October 9, 2001), Attachment 1, Japanese Respondents' Prehearing Remedy Brief, Exclusion Requests (Bar & Light Shapes), filed by Willkie Farr & Gallagher, 200110290110 (confid)/200110300107 (public) (USITC Inv. No. TA-201-73 (remedy), October 30, 2001).

- INA USA confirmed that Timken does not have the capability, either internally or via third parties, to manufacture the ball bearing hot-rolled bar, wire rod and cold-finished bar that INA USA needs.⁶

Finally, even if NSK Corp. could qualify a U.S. steel producer to get the exact bearing steel it needs, the majority of NSK Corp.'s OEM customers would prohibit NSK Corp. from immediately using this steel in bearings manufactured for their use. Most NSK Corp. OEM customers operate pursuant to QS 9000 or ISO 9000 standards. As a result, NSK Corp. must qualify the materials and processes for each bearing purchased by these OEM customers. As such, if NSK Corp. changed the source of the steel used to manufacture a bearing, NSK Corp. would have to re-qualify the bearing before the OEM customer would accept it – a process that could take years.

Ball bearing steel is precisely defined by unique physical properties and specifications, and has its own HTS classifications to distinguish it from other steels. The TSPC thus can draw a bright line between an exclusion for ball bearing steel and the remedy it recommends for other carbon long steel products. Therefore, given there is no serious injury or threat of serious injury to a domestic steel industry because domestic production of ball bearing steel does not exist, and given an exclusion for ball bearing steel would be easy to administer, NSK Corp. respectfully requests that the TSPC exclude ball bearing steel – whether bar, tube, rod or wire, hot-rolled or cold-drawn – from its remedy recommendation to the President.

D. Names and Locations of Ball Bearing Steel Producers

U.S. Producers: To the best of NSK Corp.'s knowledge and belief, there are no U.S. manufacturers of ball bearing steel. There are, however, companies that have the ability to manufacture an earlier stage product, ball bearing steel ingot cast billets. These companies are listed below. None of these companies have integrated processes that permit them to produce the ball bearing steel products NSK Corp. requires (*i.e.*, the ball bearing steel products covered by this exclusion request). There are also no intermediate U.S. producers that can take the billets manufactured by these companies and produce the ball bearing steel products NSK Corp. requires.

The Timken Company
1835 Dueber Ave. SW
P.O. Box 6932
Canton, OH 44706-0932

Republic Technologies International
Corporate Headquarters
3770 Embassy Parkway
Akron, OH 44333-8367

MACSTEEL
One Jackson Square
Suite 500
Jackson, MI 49201

⁶ Prehearing Brief of INA USA Corp. Regarding Remedy, filed by Arent Fox Kintner Plotkin & Kahn PLLC, 200110290085 (public), at 5-9 (USITC Inv. No. TA-201-73 (remedy), October 29, 2001).

Foreign Producers: To the best of NSK Corp.'s knowledge and belief, there are only six foreign steel producers that have the ability to manufacture ball bearing steel to the specifications required. These companies are:

Ascometal
BP 30
13771 Fos-sur-Mer, Cedex
France

Nippon Steel Corp.
6-3, Otemachi 2-chome
Chiyoda-ku, Tokyo 100-8071
Japan

Daido Steel
11-18, Nishiki 1-chome
Naka-ku, Nagoya 460-8581
Japan

Ovako Steel AB
SE-813 82 Hofors
Sweden

Kobe Steel, Ltd.
9-12 Kita-Shinagawa, 5-chome
Shinagawa-ku, Tokyo 141-8688
Japan

Sumitomo Corporation
1-8-11, Harumi, Chuo-ku
Tokyo 104-8610,
Japan

E. Total U.S. Consumption of Ball Bearing Steel, 1996 - 2005

	<u>Metric Ton</u>	<u>Projected</u>	<u>Metric Ton</u>
1996:	286,715	2001:	288,265
1997:	286,065	2002:	288,265
1998:	310,539	2003:	288,265
1999:	279,419	2004:	288,265
2000:	278,587	2005:	288,265

Source: World Bearing Statistics

Source: Simple Average of 1996-2000

F. Total U.S. Production of Ball Bearing Steel, 1996 - 2000

To the best of NSK Corp.'s knowledge and belief, there is no U.S. production of the ball bearing steels for which NSK Corp. requests an exclusion – HTS 7227.90.10.30, 7227.90.20.30, 7228.30.20.00, 7228.50.10.10, and 7228.60.10.30.

G. U.S.-Produced Substitutes for Ball Bearing Steel

None. Certain ball bearings that do not require the chemistry of ball bearing steel can be, and are, manufactured from lesser quality steel. The majority of ball bearings manufactured by NSK Corp. in the United States, however, require ball bearing steel to operate in the conditions demanded by NSK Corp.'s customers. Therefore, NSK Corp. cannot substitute non-ball bearing steel for most of the ball bearings it manufactures.

Ball bearings are a critical component of the U.S. industrial base. As there are no qualified U.S. producers of ball bearing steel, and no substitutes for ball bearing steel, NSK Corp. has no choice but to import this steel. The importation of ball bearing steel thus does not harm the U.S. steel industry since it does not manufacture qualified ball bearing steel. If the TSPC does not exclude ball bearing steel from its remedy recommendation, and otherwise makes it prohibitive for NSK Corp. to purchase this steel from current suppliers, NSK will have no choice but to consider offshore locations for certain manufacturing operations. For these reasons, NSK Corp. respectfully requests that the TSPC exclude ball bearing steel – HTS 7227.90.10.30, 7227.90.20.30, 7228.30.20.00, 7228.50.10.10, and 7228.60.10.30 – from any remedy recommendation to the President.

Thank you for your consideration of NSK Corp.'s request. If you have any questions, please contact us.

Respectfully submitted,

/s/

Robert A. Lipstein
Matthew P. Jaffe
Grace W. Lawson
Joseph A. Konizeski
Lipstein, Jaffe & Lawson L.L.P.

Counsel for NSK Corporation